Treasury Board of Canada Secretariat
Secrétariat du Conseil du Trésor du Canada
Canada

Regional Development Agencies Internal Audit of Values and Ethics

Published: 2018-05-01

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Published by Treasury Board of Canada, Secretariat
90 Elgin, Ottawa, Ontario, K1A 0R5, Canada

Catalogue Number: BT66-70/2018E-PDF
ISBN: 978-0-660-26077-8

This document is available on the Government of Canada website, Canada.ca

This document is available in alternative formats upon request.

Aussi offert en français sous le titre : Audit interne des valeurs et de l'éthique dans les agences de développement régional

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Regional Development Agencies Internal Audit of Values and Ethics

From Treasury Board of Canada Secretariat

Final Report
December 2017
Office of the Comptroller General

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Executive summary

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The objective of this audit was to assess the governance and monitoring controls in regional development agencies (RDAs) over the management of values and ethics practices and compliance with the Values and Ethics Code for the Public Sector.

The audit scope included the review of values and ethics governance activities and monitoring controls in place as of March 31, 2016. Three RDAs were included in the audit: Canadian Northern Economic Development Agency (CanNor), Federal Economic Development Agency for Southern Ontario (FedDev Ontario) and Western Economic Diversification Canada (WD).

Why this is important

Establishing governance structures, clearly defining values, promoting honesty and transparency in everything an organization does and taking ownership and accountability over actions that support decision-making are all essential elements for fostering an ethical environment. [1] The application of ethical considerations during day-to-day work activities is fundamental to ensuring good business practices and organizational governance.

Key public sector values, such as respect for democracy, integrity, stewardship, and excellence, provide the cornerstone for substantiated and ethical decisions. As part of the Government of Canada's ongoing commitment to promoting ethical practices in the public sector, the Values and Ethics Code for the Public Sector outlines the values and expected behaviours that guide public servants in all activities related to their professional duties. By committing to these values and adhering to the expected behaviours, public servants strengthen the ethical culture of the public sector and contribute to public confidence in the integrity of all public institutions. [2]

As public servants, RDA employees are responsible for the use of public funds and resources, and for representing the Government of Canada as they fulfill their mandate of regional economic growth and development. These responsibilities place them in a position of trust in which they must meet high standards of ethical behaviour that reflect a commitment to the values of the RDA and the Government of Canada.

Key findings

Values and ethics is a soft area of management that is often difficult to quantify or measure as it is comprised of a more subjective aspect of the corporate culture. As such, auditing this area is challenging and reliance is placed on interviews, discussions, as well as review of hard evidence, such as meeting minutes.

Governance activities were in place in all 3 RDAs to support values and ethics activities. They included the implementation of RDA-specific codes of conduct that define expected behaviours and specific duties and obligations. They also included the designation of officials to promote and manage values and ethics issues, and a process for employees to declare and report real, apparent or potential cases of conflict of interest and to disclose allegations of wrongdoing.

Although it was noted that discussions relating to values and ethics issues and priorities occurred on an ongoing basis at the senior management level, there was limited or no hard evidence available to support such discussions. In addition, no specific performance measures were defined to assess whether the planned activities relating to values and ethics achieved the desired results. As a result, it was difficult to determine the extent to which discussions held at the senior management level supported the identification and achievement of organizational priorities in the area of values and ethics. In addition, regular monitoring of compliance with the provisions of the code of conduct and with internal disclosure procedures would enable the RDAs to measure the effectiveness of and compliance with stated requirements.

Values and ethics requirements and expectations were communicated to the RDAs' employees via different delivery methods, including awareness or engagement sessions. However, it was difficult to determine whether the messages conveyed were consistent within each RDA and the extent to which awareness activities aligned with values and ethics priorities.

In addition to existing communication activities, establishing an approach for employees to periodically acknowledge their duties and obligations in relation to values and ethics would contribute to reinforcing a positive ethical culture at all levels of the organization. This acknowledgment is especially important in the RDAs because they operate in a decentralized environment.

In accordance with the provisions of the Treasury Board Policy on Conflict of Interest and Post-Employment, the RDAs should identify positions at risk for post-employment conflict of interest concerns. Although FedDev Ontario had designated such positions, the policy requirement had not been implemented by CanNor and WD.

Fear of reprisal is present in the 3 RDAs. According to the 2014 Public Service Employee Survey (PSES), only 29% to 54% [3] of employees in these RDAs indicated that they felt they could initiate a formal recourse process without fear of reprisal. Subsequent to the release of the PSES results, 2 of the 3 RDAs implemented activities to address the fear of reprisal. They are awaiting the results of the 2017 survey to determine whether the desired improvements were achieved. Addressing concerns relating to employees' fear of reprisal, as well as adjusting investigative procedures to meet the privacy and confidentiality

requirements of the Public Servants Disclosure Protection Act (PSDPA), would contribute to enhancing employee confidence in the procedure for identifying and reporting issues relating to values and ethics.

Conclusion

Overall, values and ethics governance activities were in place in the RDAs. However, there is an opportunity for all 3 RDAs to further support a culture based on values and ethics by establishing priorities that relate to values and ethics and by using performance measures to assess progress toward their achievement. In addition, the alignment of training and awareness activities with organizational priorities relating to values and ethics, the establishment of a mechanism for employees to periodically acknowledge their duties and obligations, and the designation of positions at risk for post-employment conflict of interest concerns would contribute to reinforcing a positive ethical culture at all levels of the organization.

Furthermore, addressing employees' fear of reprisal and implementing investigative procedures to comply with privacy and confidentiality requirements in the event that allegations of wrongdoing are brought forward would contribute to enhancing employee confidence in the procedure for identifying and reporting issues relating to values and ethics.

The regular monitoring of compliance with code of conduct provisions and internal disclosure procedures would enable the RDAs to measure the effectiveness of and compliance with stated requirements.

Conformance with professional standards

This audit engagement was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

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Background

The Public Servants Disclosure Protection Act (PSDPA) and the Conflict of Interest Act, both in place since 2007, are the 2 main legislative instruments relating to values and ethics and conflict of interest in the public service. The PSDPA provides employees with a means for disclosing information about wrongdoing that has been or is about to be committed in the federal public sector, or that they were asked to commit. The Conflict of Interest Act aims to minimize the possibility of conflicts between the private interests and public duties of public office holders and to provide for the resolution of those conflicts should they arise.

In 2012, the Treasury Board developed the Values and Ethics Code for the Public Sector. The code outlines the values [4] and expected behaviours that guide public servants in all activities related to their professional duties. The 2012 Treasury Board Policy on Conflict of Interest and Post-Employment elaborates on the Values and Ethics Code for the Public Sector. The policy provides direction and measures to assist organizations and public servants in effectively dealing with real, apparent or potential conflict of interest situations that may arise during and after employment in the public service.

Additional details about applicable policies, directives and guidance relating to values and ethics are provided in Appendix A.

Deputy heads of all departments and agencies have responsibilities with respect to values and ethics, including establishing a code of conduct in their organizations and fostering a culture that promotes values and ethics. These responsibilities also include:

- ensuring that employees are aware of their obligations under their organizational code of conduct and internal disclosure, and ensuring that values and ethics procedures are implemented effectively and that they are regularly monitored and evaluated [5]
- designating a senior officer for disclosure of wrongdoing to promote a positive environment for disclosing wrongdoing and dealing with disclosures of wrongdoing made by public servants [6]
- establishing a range of requirements in the areas of education and oversight, managing of conflict of interest and post-employment situations, as well as monitoring and reporting [7]

Employees are required to ensure that their actions are reflective of the expected values and ethical conduct set out in the Values and Ethics Code for the Public Sector and in their organizational code of conduct. They are also required to take appropriate action to avoid, reduce or manage situations of real, apparent or potential conflict of interest in the performance of their duties and after employment in the public service.

Audit objective and scope

The objective of this audit was to assess the governance and monitoring controls in regional development agencies (RDAs) over the management of values and ethics practices and compliance with the Treasury Board Values and Ethics Code for the Public Sector.

The audit scope included the review of values and ethics governance activities and monitoring controls in place as of March 31, 2016. Three RDAs were included in this audit: Canadian Northern Economic Development Agency (CanNor), Federal Economic Development Agency for Southern Ontario (FedDev Ontario) and Western Economic Diversification Canada (WD). The lines of enquiry and audit criteria to achieve the audit objective are noted in Appendix B.

Detailed findings and recommendations

In this section

- Finding 1: values and ethics governance
- Finding 2: monitoring activities
- Finding 3: communication and awareness activities
- Conclusion

Finding 1: values and ethics governance

Governance generally refers to rules and practices in place to assist, direct and control organizational activities. Principles of good governance include setting the direction regarding organizational activities, oversight of performance in terms of effectiveness and efficiency of activities, as well as defining accountability.

The Values and Ethics Code for the Public Sector outlines the values and expected behaviours that guide public servants in all activities related to their professional duties. By committing to the stated values and adhering to the expected behaviours, public servants strengthen the ethical culture of the public sector and contribute to public confidence in the integrity of all public institutions.

The audit assessed whether governance controls were in place within the 3 RDAs to support the requirements of the Values and Ethics Code for the Public Sector and related instruments. The audit included a review of each organization's code of conduct and roles

and responsibilities. It assessed whether ethical principles were included in business processes, as well whether a process was in place to report conflict of interest situations and to disclose allegations of wrongdoing without fear of reprisal.

Each RDA had established an organizational code of conduct that included roles and responsibilities relating to values and ethics.

An organization's code of conduct is one of the most important vehicles that management can use to communicate standards that define acceptable behaviours. The code sets the tone for the organization's culture and contributes to raising awareness of management's commitment to integrity in support of the achievement of the organization's goals. In compliance with the requirements of the PSDPA, each RDA had implemented an organizational code of conduct that aligned with the Values and Ethics Code for the Public Sector. Each RDA's code of conduct defined expected behaviours and specific duties and obligations for employees and management representatives in relation to the values set out in the Values and Ethics Code for the Public Sector: respect for democracy, respect for people, integrity, stewardship and excellence. The agency codes of conduct also included provisions regarding conflict of interest during employment and post-employment situations.

No specific provisions were in place for the regular review of the organizational code of conduct in the RDAs. Although FedDev Ontario had recently updated its code of conduct, WD and CanNor indicated that such reviews occur on an as-required basis. Although it is not a policy requirement, establishing a review protocol would ensure that the codes of conduct and related instruments are relevant, applicable and reflect current organizational requirements. Once implemented, the protocol would serve as a regular awareness-raising exercise.

In addition to defining duties and obligations in departmental codes of conduct, deputy heads [8] must, in accordance with the Values and Ethics Code for the Public Sector, ensure that employees can obtain appropriate advice within their organization on ethical issues, including possible conflicts of interest. All the RDAs had designated senior officials, such as a senior official for public service values and ethics and a values and ethics champion, to foster a positive culture of values and ethics and to provide support and advice to RDA employees. Moreover, in accordance with the PSDPA, the RDAs had designated a senior officer for disclosures to manage reported internal disclosures.

There is an opportunity to define organizational priorities relating to values and ethics in all 3 RDAs.

In accordance with the Values and Ethics Code for the Public Sector, deputy heads are

responsible for fostering a positive culture of values and ethics in their organization.

Expected behaviours that support the achievement of organizational objectives relating to values and ethics are communicated through each RDA's code of conduct. In addition, the RDAs noted that organizational priorities relating to values and ethics are discussed at the senior management level; however, limited or no audit evidence was available to demonstrate that such discussions occurred. As a result, it was difficult to determine the extent to which the discussions resulted in the identification of priorities relating to values and ethics. Establishing and documenting priorities sets a course to promote and to reinforce a culture based on values and ethics.

Two RDAs had implemented operational plans: a values and ethics action plan to track activities at WD, and a re-engagement strategy outlining activities relating to values and ethics at FedDev Ontario. However, planned activities could not be linked to organizational values and ethics priorities and no performance measures were defined to evaluate whether the planned activities achieved the desired results. The use of performance measures would provide senior management with information to oversee and adjust, as necessary, objectives, plans and processes to ensure that values and ethics priorities are met. It would also contribute to enhancing the oversight role of senior management in support of a culture based on values and ethics.

The 3 RDAs' business planning processes and operational practices integrate guiding principles for values and ethics.

The RDAs' role in administering numerous grants and contributions programs poses inherent risks with respect to real, apparent or potential conflict of interest or inappropriate influences. Integrating guiding principles relating to values and ethics into business planning documents and operational practices provides a means to support the application of ethical practices in the decision-making and delivery processes of grants and contributions programs.

Under the Values and Ethics Code for the Public Sector, "organizations are expected to take steps to integrate stated values into their decisions, actions, policies, processes, and systems." A review of RDA-specific organizational business planning documents, such as integrated business plans and Reports on Plans and Priorities, as well as key operational manuals and guides relating to grants and contributions, found references to guiding principles based on values and ethics. Furthermore, a review of selected grants and contributions project files in each RDA revealed that ethical practices were applied when proposals were being assessed and when funding decisions were being made. These ethical practices included the use of risk management practices and tools to support due diligence; the provision of clear and documented roles and responsibilities for program

officers and managers that promote proper segregation of duties; and maintaining sufficient information, analysis and recommendations to support decision-making. Reinforcing the importance of a values-based operating culture through established practices and tools contributes to maintaining the public sector values of integrity, stewardship and respect for democracy.

All 3 RDAs had established a process for reporting and resolving potential conflicts of interest. Two of the RDAs, however, had not implemented the requirement to identify positions at risk for post-employment conflict of interest concerns.

The Treasury Board Policy on Conflict of Interest and Post-Employment provides direction and measures to assist organizations and public servants in effectively dealing with real, apparent or potential conflict of interest situations that may arise during and after employment in the public service. The policy covers 2 types of conflict situations: first, conflict of interest, a situation in which a public servant has private interests that could improperly influence the performance of his or her official duties and responsibilities or in which the public servant uses his or her office for personal gain; second, conflict of duties, a conflict that arises as a result of one or more concurrent or competing official responsibilities.

Under the policy, deputy heads have a responsibility to ensure that procedures are in place in their organization for public servants to file a report of all situations, assets, liabilities or interests that might give rise to a real, apparent or potential conflict of interest with respect to their official duties. All 3 RDAs had established procedures for employees to declare and report situations of conflict of interest. These procedures are made available to all employees, mainly through each agency's code of conduct, and are posted on their intranet site. A review of selected conflict of interest declaration forms in each RDA confirmed that cases of conflict of interest were reported and managed by the designated senior official for conflict of interest, as required under the policy.

With regard to the management of post-employment conflict of interest situations, the Policy on Conflict of Interest and Post-Employment stipulates that deputy heads are responsible for reviewing their operations and organizational structure to designate positions that may be at risk for post-employment conflict of interest concerns. Although FedDev Ontario had designated positions at risk for post-employment conflict of interest concerns, CanNor and WD did not comply with the policy requirement. Designating such positions provides a preventative mechanism that can increase managers' and employees' awareness of the post-employment requirements.

A procedure for managing investigations into disclosures of wrongdoing was in place in all 3 RDAs; however, the PSDPA requirements relating to the protection of the identity of persons and the confidentiality of information were not defined.

The PSDPA establishes a procedure for the disclosure of wrongdoings in the public sector. This procedure allows public sector employees to bring, in confidence and without fear of reprisal, any serious breach of the code of conduct to the attention of their immediate supervisor, their senior officer for disclosure or the Public Sector Integrity Commissioner.

Under the PSDPA, each deputy head must designate a senior officer to be responsible for receiving and dealing with disclosures of wrongdoings made by public servants employed in the organization for which the deputy head is responsible. Each of the 3 RDAs had designated senior officers for disclosure, and their duties were documented in the RDA's code of conduct.

The PSDPA also requires each deputy head to establish internal procedures to manage disclosures made by public servants. The procedures are to include provisions to ensure the protection of the identity of persons involved in the disclosure process, as well as the confidentiality of information collected in relation to disclosures. The 3 RDAs had identified internal procedures to manage reported disclosures of wrongdoing as part of the duties and powers of the senior officer for disclosure; however, the procedures did not include provisions detailing how the identity of persons involved in the disclosure would be protected and how the confidentiality of information collected would be maintained.

Although no internal allegations of wrongdoing were reported in the RDAs during the 2015 to 2016 fiscal year, documenting investigative procedures that comply with the PSDPA provisions would help ensure that privacy and confidentiality requirements are respected should allegations be brought forward and would contribute to enhancing employee confidence in the process.

Fear of reprisal was identified in all 3 RDAs.

The 2015 report commissioned by the Office of the Public Sector Integrity Commissioner of Canada [9] noted that fear of reprisal for reporting wrongdoing is a concern in the federal public sector.

The 2014 Public Service Employee Survey (PSES) included specific questions relating to ethics in the workplace. An item of relevance to all RDAs, as well as to the general public service, related to fear of reprisal. According to the 2014 PSES results, only 45% of all public service employees believed that they could initiate a formal recourse process (a grievance, a complaint, or an appeal, for example) without fear of reprisal. With respect to

the RDAs, only 29% of FedDev Ontario employees, [10] 40% of CanNor employees [11] and 54% of WD [12] employees felt that they could initiate a formal recourse process without fear of reprisal.

In response to the 2014 PSES results, FedDev Ontario implemented a theme-based action plan to address areas of concern. The employee growth and empowerment theme, which focused on encouraging employees to raise opinions, issues and concerns to management, included initiatives to create opportunities for employees to provide input and advice without fear of reprisal. At WD, activities to address the issue of fear of reprisal were limited to information sessions on internal and external recourse methods, which were offered at 2 regional offices. Both FedDev Ontario and WD indicated that they are awaiting the results of the upcoming 2017 PSES to determine the effectiveness of the activities they implemented. CanNor did not undertake any activities to address fear of reprisal; they indicated that they focused on other issues identified in the PSES. Employees may be more inclined to share ethical concerns about organizational activities or to report allegations of wrongdoing if they believe there would be no reprisals, retaliation or repercussions for doing so.

Summary of finding: values and ethics governance

Overall, values and ethics governance activities are in place in the RDAs included in this audit. However, establishing priorities relating to values and ethics and performance measures to evaluate their achievement would further support a culture based on values and ethics.

The implementation of a review protocol would ensure that the provisions of each agency's code of conduct and related instruments reflect current organizational requirements and would serve as a regular awareness-raising exercise.

All 3 RDAs had a procedure for managing investigations into disclosures of wrongdoing; however, the PSDPA requirements relating to the protection of individuals' identity and the confidentiality of information were not defined.

The 2014 Public Service Employee Survey results indicated that a fear of reprisal exists in the RDAs. Only FedDev Ontario and WD had implemented activities to address the issue of fear of reprisal; they are awaiting the results of the upcoming 2017 PSES to determine the effectiveness of implemented activities.

All 3 RDAs had established procedures for employees to declare and report situations of conflict of interest. These procedures are made available to all employees mainly through each agency's code of conduct, and are posted on their intranet site. However, only FedDev Ontario was in compliance with the policy requirement to designate positions at risk for post-employment conflict of interest concerns.

Recommendations: values and ethics governance

1. The RDAs should further strengthen governance-related activities to support a culture based on values and ethics:

    1.1
    CanNor, FedDev Ontario and WD should identify organizational values and ethics priorities and measure progress toward their achievement.

    1.2
    CanNor and WD should identify positions that may be at risk for post-employment conflict of interest concerns in accordance with the Treasury Board Policy on Conflict of Interest and Post-Employment.

    1.3
    CanNor, FedDev Ontario and WD should adjust their internal investigation procedures to include Public Servants Disclosure Protection Act (PSDPA) requirements relating to the protection of the identity of individuals involved in the disclosure process and the confidentiality of information collected.

2. CanNor and WD should consider the need to further assess the fear of reprisal in their organizations and establish an action plan, if deemed appropriate.

Finding 2: monitoring activities

Monitoring activities provide a means to oversee and adjust, as necessary, activities and processes to ensure the achievement of expected outcomes.

The audit examined whether monitoring controls were in place to assess compliance with the 3 RDAs' organizational codes of conduct. Such controls would enable the RDAs to ensure that they are achieving their goals relating to values and ethics and that they are complying with policy requirements.

Code of conduct provisions and internal disclosure procedures are not regularly monitored.

The Values and Ethics Code for the Public Sector stipulates that deputy heads must ensure that their organizational code of conduct and their internal disclosure procedures are implemented effectively and are regularly monitored and evaluated.

All 3 RDAs' codes of conduct included a requirement for the regular monitoring and evaluation of the provisions of the code and of the internal disclosure procedures. Although the audit noted that some monitoring activities were in place, such as the tracking of conflict of interest situations and the reporting of disclosed allegations of wrongdoing in the PSDPA Annual Report, there was a lack of hard evidence to demonstrate the occurrence of regular monitoring of the code of conduct and the internal disclosure procedures. Two RDAs indicated that limited resources impeded their ability to implement monitoring and reporting activities. Regular monitoring of activities would provide the RDAs with information to measure the effectiveness of and compliance with provisions of the code of conduct and internal disclosure procedures requirements. This monitoring would further contribute to the achievement of objectives relating to values and ethics.

Summary of finding: monitoring activities

In accordance with the Values and Ethics Code for the Public Sector, the codes of conduct of all 3 RDAs included a requirement for the regular monitoring of the code of conduct and of the internal disclosure procedures. Although some monitoring activities are in place, they are not conducted regularly.

Recommendation: monitoring activities

3. CanNor, FedDev Ontario and WD should ensure that their organizational codes of conduct and internal disclosure procedures are monitored regularly.

Finding 3: communication and awareness activities

Communication and awareness activities relating to an organization's commitment to ethics are integral parts of an effective values and ethics program. [13] The Values and Ethics Code for the Public Sector states that deputy heads are responsible for ensuring that public servants in their organization are informed on a regular basis of requirements of their organizational code of conduct, as well as those of the Values and Ethics Code for the Public Sector.

The audit examined whether activities were in place to communicate to employees the expectations, requirements, duties and obligations set out in the code of conduct, as well as other information relating to values and ethics.

Information about values and ethics is communicated in the 3 RDAs. There is an opportunity to ensure that training and awareness activities support the achievement of organizational priorities relating to values and ethics.

A values-based culture will lead employees toward applying desirable behaviours, such as creating a respectful working environment and reporting suspected instances of wrongdoing. Providing training and awareness activities helps reduce the risk of unethical behaviours and contributes to a common understanding of what ethics means. [14]

Requirements and expectations relating to values and ethics were communicated to employees through different methods. All 3 RDAs referred to the code of conduct in letters of employment offer, internal newsletters, and posted information about values and ethics and related tools and resources on their intranet sites.

Furthermore, all 3 RDAs held awareness or engagement sessions during the audit period. FedDev Ontario held awareness sessions on harassment prevention and conflict management in the workplace; CanNor held sessions on political activities and WD held an employee engagement session on values and ethics. Town hall sessions that included discussions on values and ethics with employees were also held at FedDev Ontario and WD. Only FedDev Ontario, however, provided evidence to demonstrate that sessions were offered consistently across the agency. Employee attendance at the sessions was not mandatory or formally tracked in any of the RDAs, and none of them had a mechanism for obtaining employee feedback on the content and value of the sessions. It was therefore difficult to determine whether consistent values and ethics messages were conveyed to all employees in each RDA, and the extent to which awareness activities were aligned with values and ethics priorities.

Establishing an approach whereby consistent information about values and ethics is conveyed to all employees is particularly important for the RDAs given their many regional offices. Aligning awareness activities with identified organizational priorities relating to values and ethics, as indicated in recommendation 1.1, would assist the RDAs in ensuring that stated requirements and expected behaviours are met.

There is no mechanism for employees to periodically acknowledge their duties and obligations in relation to values and ethics.

Employees are expected to comply with their departmental code of conduct and with the Values and Ethics Code for the Public Sector. Acceptance of the provisions of these codes is a condition of employment for every employee in the federal public sector, regardless of level or position.

All 3 RDAs referred to the Values and Ethics Code for the Public Sector in their own code of conduct, as well as to conflict of interest requirements in letters of employment offer to individuals accepting initial appointments, subsequent appointments or deployments. A review of selected letters of employment offer and conflict of interest declaration forms in each of the RDAs revealed that this requirement was applied in all of the RDAs; however, some issues were identified relating to the consistency of information in the WD letters, which that agency committed to addressing.

Although employees acknowledge their understanding of the provisions of the code of conduct upon signing letters of employment offer and as part of the annual performance management agreement process, there is no ongoing mechanism for them to periodically acknowledge their understanding of those provisions. The use of mechanisms, such as a requirement for employees to acknowledge their awareness and acceptance of stated expectations when they log into their network, would provide an opportunity to periodically remind employees of their duties and obligations.

Summary of finding: communication and awareness activities

Requirements and expectations relating to values and ethics were communicated to RDA employees using various delivery methods, including awareness or engagement sessions. However, it was difficult to determine whether messages about values and ethics were consistent and the extent to which awareness activities aligned with priorities relating to values and ethics.

The use of a mechanism for employees to periodically acknowledge their understanding of their duties and obligations in relation to values and ethics would reinforce the importance of complying with the code of conduct.

Conclusion

Overall, values and ethics governance activities were in place in the RDAs. However, there is an opportunity for all 3 RDAs to further support a culture based on values and ethics by establishing priorities that relate to values and ethics and by using performance measures to assess progress toward their achievement. In addition, the alignment of training and awareness activities with organizational priorities relating to values and ethics,

the establishment of a mechanism for employees to periodically acknowledge their duties and obligations, and the designation of positions at risk for post-employment conflict of interest concerns would contribute to reinforcing a positive ethical culture at all levels of the organization.

Furthermore, addressing employees' fear of reprisal and implementing investigative procedures to comply with privacy and confidentiality requirements in the event that allegations of wrongdoing are brought forward would contribute to enhancing employee confidence in the procedure for identifying and reporting issues relating to values and ethics.

The regular monitoring of compliance with code of conduct provisions and internal disclosure procedures would enable the RDAs to measure the effectiveness of and compliance with stated requirements.

Management response

The findings and recommendations of this audit were presented to FedDev Ontario, CanNor and WD.

Management has agreed with the findings in this report and will take action to address the recommendations that apply to their RDA.

Appendix A: applicable policies, directives and guidance

Acts, code and policies (links current as of March 2016)	Description

Acts, code and policies (links current as of March 2016)	Description
Conflict of Interest Act **Effective July 9, 2007**	The Conflict of Interest Act, which came into effect April 2012, focuses on establishing conflict of interest and post-employment rules for public office holders. The purpose of this act is to establish clear conflict of interest and post-employment rules for public office holders; minimize the possibility of conflicts arising between the private interests and public duties of public office holders and provide for the resolution of those conflicts in the public interest should they arise; provide the Conflict of Interest and Ethics Commissioner with the mandate to determine the measures necessary to avoid conflicts of interest and to determine whether a contravention of this act has occurred; encourage experienced and competent persons to seek and accept public office; and facilitate interchange between the private and public sector.
Policy on Conflict of Interest and Post-Employment **Effective April 2, 2012**	This policy elaborates on the Values and Ethics Code for the Public Sector and is aligned with its content. It provides direction and measures to assist organizations and public servants in effectively dealing with real, apparent or potential conflict of interest situations that may arise during and after employment in the public service. Preventing, managing or resolving conflict of interest situations is one of the principal means of maintaining public trust and confidence in the impartiality and integrity of the public service.

Acts, code and policies (links current as of March 2016)	Description
Public Servants Disclosure Protection Act **Effective April 15, 2007**	The Public Servants Disclosure Protection Act (PSDPA), which came into force April 2007, applies to most of the federal public sector, including government departments and agencies, parent Crown corporations, the Royal Canadian Mounted Police and other federal public sector bodies (representing approximately 400,000 public servants). The PSDPA provides employees a means to disclose information about a wrongdoing that has been or is about to be committed in the federal public sector, or a wrongdoing they were asked to commit. Under the PSDPA, the Government of Canada has committed to establishing a Charter of Values setting out the values that should guide public servants in their work and professional conduct. The act establishes a procedure for the disclosure of wrongdoings in the public sector, including the protection of persons who disclose the wrongdoings.
Values and Ethics Code for the Public Service **Effective April 2, 2012**	As established by the Treasury Board, this code fulfills the requirement of section 5 of the Public Servants Disclosure Protection Act. It was developed in consultation with public servants, public sector organizations and bargaining agents. This code should be read in conjunction with the organizational code of conduct. The code outlines the values and expected behaviours that guide public servants in all activities related to their professional duties. By committing to these values and adhering to the expected behaviours, public servants strengthen the ethical culture of the public sector and contribute to public confidence in the integrity of all public institutions.

Appendix B: lines of enquiry and audit criteria

Line of enquiry	Criteria	Related source(s)

Line of enquiry	Criteria	Related source(s)
1. Governance controls are in place within RDAs to support the requirements of the Values and Ethics Code for the Public Sector and related instruments.	**1.1 Authority and accountability have been established to support a culture based on values and ethics.**	Treasury Board Values and Ethics Code for the Public Sector, Appendix, Duties and Obligations, Chief Executives Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2
	1.2 Roles and responsibilities have been clearly defined, documented and communicated with respect to values and ethics.	Treasury Board Values and Ethics Code for the Public Sector, Appendix, Duties and Obligations, Chief Executives Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2
	1.3 Policies and related instruments, including an agency-specific values and ethics code, have been developed and implemented to support values and ethics.	Treasury Board Values and Ethics Code for the Public Sector, Appendix, Duties and Obligations, Chief Executives Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2
2. Values and ethics procedures have been implemented to promote awareness and facilitate integration into the operations and processes of RDAs.	**2.1 Values and ethics have been integrated into operations and processes.**	Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2

Line of enquiry	Criteria	Related source(s)
	2.2 Training, guidance and awareness activities have been provided to employees in support of their values and ethics responsibilities.	Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2
	2.3 Procedures are in place to report or disclose values and ethics issues in a timely manner.	Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2
3. Monitoring controls over values and ethics are in place within RDAs.	**3.1 Values and ethics are monitored to ensure compliance.**	Treasury Board Values and Ethics Code for the Public Sector, Appendix, Duties and Obligations, Chief Executives Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2
	3.2 Issues relating to values and ethics are assessed, managed and resolved in a timely manner.	Treasury Board Values and Ethics Code for the Public Sector, Appendix, Duties and Obligations, Chief Executives Treasury Board Policy on Conflict of Interest and Post-Employment, Section 6: Policy requirements, subsections 6.1, 6.2

Appendix C: recommendations by regional development agency and priority level

Recommendations	CanNor	FedDev Ontario	WD	Priority level

Recommendations		CanNor	FedDev Ontario	WD	Priority level
1. The RDAs should further strengthen governance-related activities to support a culture based on values and ethics:	**1.1 CanNor, FedDev Ontario and WD should identify organizational values and ethics priorities and measure progress toward their achievement.**	Applicable	Applicable	Applicable	High
	1.2 CanNor and WD should identify positions that may be at risk for post-employment conflict of interest concerns in accordance with the Treasury Board Policy on Conflict of Interest and Post-Employment.	Applicable	Not applicable	Applicable	Medium
	1.3 CanNor, FedDev Ontario, and WD should adjust their internal investigation procedures to include Public Servants Disclosure Protection Act (PSDPA) requirements relating to the protection of the identity of individuals involved in the disclosure process and the confidentiality of information collected.	Applicable	Applicable	Applicable	Medium
2. CanNor and WD should consider the need to further assess the fear of reprisal in their organizations and establish an action plan, if deemed appropriate.		Applicable	Not applicable	Applicable	Medium
3. CanNor, FedDev Ontario and WD should ensure their organizational codes of conduct and internal disclosure procedures are monitored regularly.		Applicable	Applicable	Applicable	Medium

Footnotes

1 "When Culture is the Culprit," Institute of Internal Auditors, 2016 General Audit Management Conference.

2 Treasury Board Values and Ethics Code for the Public Sector, "Objectives."

3 The PSES is conducted every 3 years to gather employees' perspectives on a variety of issues, including factors relating to an ethical workplace. The last survey was conducted in 2014.

4 The Values and Ethics Code for the Public Sector sets out 5 core values: respect for democracy, respect for people, integrity, stewardship and excellence.

5 Values and Ethics Code for the Public Sector, Appendix, Duties and Obligations, Chief Executives.

6 Public Servants Disclosure Protection Act (PSDPA), subsections 6(1) and 6(2).

7 Treasury Board Policy on Conflict of Interest and Post-Employment, subsections 6.1 and 6.2.

8 The Treasury Board Values and Ethics Code for the Public Sectorand the PSDPA define "chief executive" as "the deputy head or chief executive officer of any portion of the public sector." For consistency purposes, the term "deputy head" is used in this report.

9 "Exploring the Culture of Whistleblowing in the Federal Public Sector," prepared for the Office of the Public Sector Integrity Commissioner of Canada, Final Report, December 2015.

10 2014 Public Service Employee Survey results by question for Federal Economic Development Agency for Southern Ontario, Question 50.

11 2014 Public Service Employee Survey results by question for Canadian Northern Economic Development Agency, Question 50.

12 2014 Public Service Employee Survey results by question for Western Economic Diversification Canada, Question 50.

13 Treasury Board Values and Ethics Departmental Plan, 2012 to 2015, Section 6.2, Communication.

14 Treasury Board Values and Ethics Departmental Plan, 2012 to 2015, Section 6.3, Training.

Date modified:

2018-05-01